

Message Text

LIMITED OFFICIAL USE

PAGE 01 MANILA 00330 071002Z

17

ACTION EB-07

INFO OCT-01 EA-07 IO-10 ISO-00 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 FEA-01

OIC-02 AF-06 ARA-06 EUR-12 NEA-10 /134 W

----- 000935

P R 070850Z JAN 76

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 931

INFO USDEL MTN GENEVA

LIMITED OFFICIAL USE MANILA 0330

E.O. 11652: N/A

TAGS: ETRD, MTN, RP

SUBJECT: MTN: TROPICAL PRODUCTS NEGOTIATIONS

REF: 75 STATE 287116

1. PHILIPPINE MEASURES TO REDUCE IMPORT DEMAND HAVE MASKED INDIVIDUAL TRADE RESTRICTIONS THAT MIGHT OTHERWISE BE NEGOTIABLE WITHIN CONTEXT SET FORTH REFTEL.

2. ALL PHILIPPINE IMPORTS ARE CLASSIFIED BY TYPE (PRODUCERS GOODS OR CONSUMERS GOODS) AND BY ESSENTIALITY. CENTRAL BANK, AS A BALANCE-OF-PAYMENTS MEASURE WHICH HAS BEEN SANCTIONED BY IMF, WILL NOT ALLOW OPENING OF L/C'S FOR GOODS IN THOSE OF THE CATEGORIES CONSIDERED TO BE NON-ESSENTIAL. BANNED IMPORTS INCLUDE MOST CONSUMER GOODS AND THOSE PRODUCER GOODS WHICH CENTRAL BANK HAS CLASSIFIED AS BEING PRODUCED LOCALLY IN ADEQUATE QUANTITY AT A REASONABLE PRICE. ALL OTHER GOODS ARE BY DEFINITION DEEMED ESSENTIAL TO ECONOMY, SO THAT THEIR IMPORT IS LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MANILA 00330 071002Z

NOT DISCOURAGED, ALTHOUGH AVERAGE DUTY LEVELS ARE HIGH.

3. PHILIPPINE SINCE INDEPENDENCE HAS TYPICALLY UTILIZED SUCH IMPORT-RESTRICTING MEASURES IN PREFERENCE TO DEVALUATION. WHILE OVERVALUED EXCHANGE RATE HAS IMPOSED ECONOMIC COSTS, RHETORIC THAT NON-ESSENTIAL IMPORTS ARE BEING BANNED TO ENHANCE ECONOMIC DEVELOPMENT AND FURTHER WELL-BEING OF MASSES HAS SUCH GLAMOUR THAT ECONOMIC ARGUMENTS TO THE CONTRARY MAKE LITTLE HEADWAY. PHILIPPINES UTILIZES BANNED LIST IN CONJUNCTION WITH OTHER IMPORT-DAMPENING MEASURES, SUCH AS ADVANCE IMPORT DEPOSIT REQUIREMENT AND \$50,000 PER MONTH PER COMPANY LIMITATION ON L/C OPENINGS.

4. WHILE COMPOSITION OF LEGAL PHILIPPINE IMPORTS IS SHIFTED AWAY FROM CONSUMER GOODS BY BANNED LIST, U.S. SHARE OF MARKET PROBABLY NOT SIGNIFICANTLY ALTERED. BLACK MARKETING FROM U.S. MILITARY BASES, WITH ITS ATTENDANT ILLS, IS PROBABLY MAIN ADVERSE EFFECT FOR U.S. OF IMPORT BAN. OVERVALUED EXCHANGE RATE MAKES ALL IMPORTS CHEAPER, INCLUDING THOSE IN BASE PX SYSTEM, AND WITH THIS ENHANCED INCENTIVE TO BLACK MARKET, "ENTREPRENEURS" HAVE ESTABLISHED AN EFFICIENT DISTRIBUTION SYSTEM WHICH ROUTINELY AND OPENLY SUPPLIES THE BETTER HOTELS AND STORES IN MANILA WITH BASE GOODS. SINCE NO DUTIES ARE PAID ON THESE GOODS, PHILIPPINES NOT ONLY EXPENDS FOREIGN EXCHANGE BUT IT ALSO FOREGOES THE REVENUE WHICH WOULD BE ACQUIRED IF IMPORT RESTRICTIONS WERE LIFTED AND PESO WERE ALLOWED TO FIND ITS OWN LEVEL.

5. EMBASSY HAS BEEN ABLE TO IDENTIFY ONLY ONE SIGNIFICANT IMPORT BARRIER WHOSE REMOVAL WOULD NOT INVOLVE THE MAJOR REVAMPING OF PHILIPPINE IMPORT POLICY THAT ELIMINATION OF BANNED LIST WOULD ENTAIL. BUSINESSMEN COMPLAIN REPEATEDLY THAT ISSUANCE OF PHILIPPINE CONSULAR INVOICES IS SLOW, CUMBERSOME, AND MUCH MORE TROUBLESOME THAN FOR NEIGHBORING ASIAN COUNTRIES. SHIPPING DELAYS ATTENDANT UPON CONSULAR INVOICE REQUIREMENT NECESSITATE LARGER INVENTORY LEVELS WITH ATTENDANT EXPENSE.

6. REGRADING INDIVIDUAL IMPORT ITEMS, WASHINGTON SHOULD LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MANILA 00330 071002Z

BE AWARE THAT EMBASSY WAS RECENTLY APPROACHED BY FORMER U.S. EXPORTER OF REMNANTS TO PHILIPPINES. THERE WAS FORMERLY A SUBSTANTIAL TRADE IN REMNANTS AND THEIR IMPORT WAS BANNED OSTENSIBLY BECAUSE OF SMUGGLING BUT IN FACT PRIMARILY BECAUSE OF OPPOSITION FROM DOMESTIC INDUSTRY. AMERICAN EXPORTER EXPRESSED STRONGLY HELD FEELINGS THAT IF WE ARE BEING ACCOMMODATING TO PHILIPPINES IN TERMS OF IMPORTS UNDER BILATERAL TEXTILE

AGREEMENT, WE SHOULD BE ENTITLED TO RECIPROCITY WITH RESPECT U.S. EXOORTS OF TEXTILE PRODUCTS TO PHILIPPINES. WHILE THIS IS AN ATTRACTIVE ARGUMENT, TEXTILES ARE ON BANNED LIST, AND TO OBTAIN FROM THEM TREATMENT MORE FAVORABLE THAN FOR OTHER CONSUMER GOODS WOULD BE NEXT TO IMPOSSIBLE.

7. MANILA'S A-308 OF NOVEMBER 3, 1975, DISCUSSES A DISCRIMINATORY 100 PERCENT DUTY ON ACETATE TOW FOR CIGARETTE FILTERS WHICH WILL FORCE OUT OF BUSINESS U.S. FILTER COMPANY (FILTRONA) AND ELIMINATE U.S. EXPORTS OF FILTER TOW TO PHILIPPINES. DECREE REDRESSING SITUATION WAS REPORTEDLY SENT TO PRESIDENT MARCOS FOR SIGNATURE OVER ONE MONTH AGO. IF DECREE IS NOT SIGNED BY TIME OF NEGOTIATONS, RESTORATION OF 10 PERCENT DUTY TO ALL FILTER TOW IMPORTS WOULD APPEAR TO BE APPROPRIATE QUID PRO QUO FOR U.S. TARIFF CONCESSIONS. SULLIVAN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPORTS, TRADE CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 07 JAN 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976MANILA00330
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760004-1211
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760180/aaaacszp.tel
Line Count: 133
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 STATE 287116
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 06 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 MAY 2004 by SmithRJ>; APPROVED <06 MAY 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MTN: TROPICAL PRODUCTS NEGOTIATIONS
TAGS: ETRD, RP, US, MTN
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006